
STATE OF INDIANA

DEPARTMENT OF LOCAL
GOVERNMENT FINANCE



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TO: Township Assessors

FROM: Department of Local Government Finance, Assessment Division

SUBJECT: Instructions for the new Schedule of Deduction from Assessed Valuation,
Utility Distributable Property in Economic Revitalization Area

DATE: January 2006

Utility taxpayers do not file form 103. The UD-45 is the Annual Report that is filed by all non-rail utility taxpayers with the Department of Local Government Finance. Therefore, it was necessary to create alternative forms for use on abatements of property owned by utility taxpayers. The new forms are the SB-1/UD, the CF-1/UD and the UD-ERA form.

There are simple instructions for the taxpayers included on each form. Additionally, a memo will be distributed to all utility taxpayers notifying them of the new forms and their use.

When filing form UD- ERA, the taxpayer should include a completed and signed SB-1/UD and a completed and signed CF-1/UD along with pages 1, 2, 3, 4, 5 and 14 of the form UD-45 Annual Report that is filed with the Department of Local Government Finance each year.

The statement of benefits (SB-1) is a form that is submitted to the designating body of an economic revitalization area prior to the public hearing or before the new manufacturing equipment, and/or research and development equipment, and/or the logistical distribution equipment, and/or information technology equipment is installed. The SB-1 shows what equipment or property has been approved for abatement, by whom, and for how long and what benefits are derived for the taxing district due to granting the abatement. (IC 6-1.1-12.1-2 & IC 6-1.1-12.1-5.6)

The Compliance with the Statement of Benefits form (CF-1) indicates how the taxpayer is staying in compliance with the original agreement with the designating body. If the taxpayer doesn't stay in compliance with the original agreement, the designating body may hold a hearing and could terminate the abatement deduction. (IC 6-1.1-12.1-5.9)

The duty of reviewing and certifying the deduction amount has been transferred to the township assessor's effective tax year 2006 pay 2007, with the passage of Senate Bill 1, passed in the 2005 legislative session.

In reviewing the new form UD – ERA, you will need to check the following information. Section 1, should be filled out including the taxpayer's name, address, contact person, telephone

number, fax number and email address, if available. Section 1 also includes the county, township, and taxing district for which the deduction is being requested.

Section 2 should be filled out with the name of the designating body, the resolution number, length of abatement, the date the designation was approved, the date it will terminate, and whether or not there is a limit on the dollar amount of the deduction.

Section 3 differs from the personal property and real property versions due to the differences in assessment methodology, because no pooling schedules are used in utility valuation. The cost of the equipment, depreciation and true tax value is included on the equipment list, page 3 of the return. These figures are to be reported at federal tax basis because that is how they are reported on the UD-45 Annual Report per IC 6-1.1-8. Special tooling is reported under section 3. The equipment list should help you in determining whether or not the equipment listed meets the criteria for abatement per IC 6-1.1-12.1.

For Section 4, the total true tax value from line 47, page 4 of the UD-45 Annual Report is noted in column A. In column B, the taxpayer records the percentage of line 47 that is applicable to the taxing district in question. This amount should be equal to the percentage recorded on page 14 of the UD-45 Annual Report for the specific taxing district. Column C should reflect the true tax value of the equipment in the abated taxing district. This amount should not be more than the true tax value certified by the Department of Local Government Finance on the 11A Certification that is mailed to the county auditor and county assessor for the taxing district noted on the form. For column D, you will need to refer to Section 2, to find the length of the abatement and the date the designation was approved. Once you have this information, refer to the charts on page 2. Next, identify the appropriate chart based on the date the SB-1 was approved. Then find the number of years corresponding to the length of the abatement in the far left hand column. For example, if you have a five year abatement approved 7/01/2006 your first year's abatement percent is 100 percent; the second year would be 80 percent; the third year would be 60 percent; the fourth year would be 40 percent; and lastly, the fifth year would be 20 percent. Multiply your true tax value (column C) by the abatement percentage (column D) to determine the deduction amount to claim in column E.

The following methodology was used by employees of the DLGF when figuring the true tax value to use for years after the first year of abatement. Start with the annual report UD-45, Schedule A, line number 47 (assessed value of all distributable property) divided by line number 23 (adjusted cost of property) to derive the percentage (%) to multiply by the arbitrated cost in year one of the abatement; then apply the appropriate percentage based on the year of the abatement and the length of the abatement, from Section 2. (Line 47/ Line 23 = %. Original approved cost X % = TTV to use for abatement purposes. TTV X abatement percentage = approved abatement deduction.)

Additionally, we have created Form UD-ID, Schedule of Deduction from Assessed Valuation, Utility Distributable Property Investment Deduction, in accordance with the provisions listed in IC 6-1.1-12.4.

These instructions and the forms may be modified if the department finds it necessary or if the rules and regulations regarding abatement should change.